

MINUTES

MONTANA SENATE 56th LEGISLATURE - REGULAR SESSION

FREE CONFERENCE COMMITTEE

Call to Order: By **CHAIRMAN GERRY DEVLIN**, on March 16, 1999 at 9:05 A.M., in Room 413/415 Capitol.

ROLL CALL

Members Present:

Sen. Gerry Devlin, Chair (R)
Sen. Bill Glaser (R)
Sen. Barry "Spook" Stang (D)
Rep. John "Sam" Rose, Chair (R)
Rep. Gary Beck (D)
Rep. Stanley M. Fisher (R)

Members Excused: None

Members Absent: None

Staff Present: Sandy Barnes, Committee Secretary
Greg Petesch, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 260, 3/15/1999

HEARING ON SB 260

CHAIRMAN DEVLIN opened the hearing by saying that this committee was being convened to address the Governor's amendments to **SB 260**. He said he understood that **Mr. Petesch** had refined the amendments to address the nine and six mills so that it is not an illegal appropriation. Copies of Governor Racicot's letter to President Crippen and Speaker Mercer were distributed, **EXHIBIT (tas59c01)**.

Mr. Petesch distributed copies of the proposed rewrite of the amendments to the committee. He explained that these amendments simply achieve what the Governor's amendments were designed to

achieve. The Governor's amendments were couched in terms of an appropriation, but as written, the appropriation was really a fund transfer since the money went from the General Fund to state special revenue accounts. The funding never left the state treasury, so they were not true appropriations. The Governor had a concern that if they were appropriations, it might not be proper to have those accepted by the Senate because the appropriation would then arise in the Senate in violation of the joint rules. He said as rewritten, these amendments remove the **CI-75** provisions that were in the bill, as the Governor did; take out the bracketed references, because the Governor had said in his letter that he wanted to leave those percentages as they were in the bill; and then transfer the money for the six mill and nine mill levies from the General Fund to the appropriate state special revenue accounts.

Motion: REP. ROSE MOVED THE AMENDMENTS, SB026002.agp.

Discussion:

SEN. STANG said the reason he voted against the Governor's amendments is that he did not think they went far enough. He said there is still about a \$12 million shortfall to schools in this. He said his main concern is the county transportation and county retirement funds, which are permissive levies at the school level. He said that this basically shifts taxes from vehicle owners to homeowners, but he proposed that this committee could correct the problem with block grants or by changing the GTB formula for some of the debt service funds and the retirement funds. He said the same thing could be done with the county transportation and the county retirement funds. He said if there is a will of the committee to fix this situation, he would like to meet tomorrow and bring back the amendments to do it.

CHAIRMAN DEVLIN said he would resist those amendments because he felt that \$4.4 million is being spread across retirement, transportation and nongeneral fund levies over all school districts. He said over the last three years there has also been about a \$15 million statewide increase in motor vehicle taxes.

Vote: Motion on amendments SB026002.agp carried 6-0.

SEN. STANG SAID HE WOULD OFFER IN CONCEPT AN AMENDMENT THAT SOLVES THE PROBLEM WITH THE COUNTY TRANSPORTATION AND COUNTY RETIREMENT FUNDS BY INCREASING THE STATE GUARANTY LEVEL FOR GTB THAT GOES SPECIFICALLY TO THOSE FUNDS.

SEN. GLASER said that this involves \$1.7 million the first year and about \$5 million the second year, and it was his feeling that

the other tax relief that is being given will address this small tax impact on local taxpayers. He said he would have to resist **SEN. STANG'S** amendment even though he felt they were very honorable.

REP. ROSE asked **SEN. STANG** what the impact per school district would be, and **SEN. STANG** said that **SEN. GLASER** had mentioned a \$25 million or \$30 million impact, and that if \$6 million is taken away from that, that cuts it by one-third. He said his concern is that the citizens of Montana are being told that their vehicles taxes are being reduced, and then this turns around and increases property taxes by \$6 million just for county transportation and retirement. He said that it will also be increased another \$6 million if district transportation, bus depreciation, tuition, debt service and building reserve is dealt with, so a potential one-half of that \$20 million is being passed back to the taxpayers.

CHAIRMAN DEVLIN asked from what numbers **SEN. STANG** was working. **SEN. STANG** said his figures are 1998-1999 numbers, so, by 2000 there will be increases. **CHAIRMAN DEVLIN** asked about the growth factor that was put into the equation, and **SEN. STANG** said he had not used the growth factor.

SEN. GLASER said that in the first half of the first fiscal year, there is a \$13 million break on automobile taxes; in the second year, because of **SEN. DEVLIN'S** capping and the whole thing kicking in, there will be right around a \$30 million break per year to the taxpayers. He said the schools are at \$5 million to backfill, so that still leaves the taxpayer with \$25 million in tax breaks without any tax relief on class four property.

SEN. STANG said his concern is that the citizens are not being told we are going to come through the back door and raise their house taxes. He said one of the big issues in this legislature is property taxes, and he said he feels we are being less than honorable if we do not tell the taxpayers of this state that we are going to do this.

Vote: Motion failed 1-5, with Devlin, Glaser, Rose, Beck and Fisher voting no. Roll Call Sheet, **EXHIBIT(tas59c02)**.

Vote: Governor's amendments to SB 260 as amended adopted 5-1 with Stang voting no. Roll Call Sheet, **EXHIBIT(tas59c03)**.

A revised fiscal note was provided after the meeting, **EXHIBIT(tas59c04)**.

ADJOURNMENT

Adjournment: 9:23 A.M.

SEN. GERRY DEVLIN, Chairman

SANDY BARNES, Secretary

GD/SB